

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 4456-01
Bill No.: SB 1216
Subject: Retirement - State; Retirement systems and Benefits - General; State Employees;
Transportation Dept.
Type: Original
Date: February 23, 2004

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on General Revenue Fund	\$0	\$0	\$0

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Highway Fund	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to 1Unknown)
Total Estimated Net Effect on <u>All</u> State Funds	(\$0 to Unknown)	(\$0 to Unknown)	(\$0 to Unknown)

*** An actuarial cost statement has not been completed for the Highway Employees' and Patrol Retirement System.**

Numbers within parentheses: () indicate costs or losses.

This fiscal note contains 5 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2005	FY 2006	FY 2007
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

The **Joint Committee on Public Employee Retirement (JCPER)** has reviewed this proposal and has determined an actuarial study is not needed under the provisions of section 105.660, subdivision (5).

Officials with the **Missouri State Employees Retirement System** assume no fiscal impact to their agency.

Officials with the **Missouri Highway Patrol** assume the Department of Transportation will respond on their behalf.

Officials with the **State Highway Employees and Patrol Retirement System (HRS)** assume the proposed legislation will allow employees of MoDOT to purchase up to four (4) years of non-federal public employment or contract service. The service cannot duplicate service from any other public or private retirement plan.

Section 105.691 as it currently exists, allows for the purchase of the same non-federal public

ASSUMPTION (continued)

employment service. Section 105.691, does not however, allow for the purchase of contract service. Under this section, the cost to purchase service is the full actuarial cost. The language contained in the proposed legislation, allows for the purchase of service at a very subsidized rate. The pricing of the service is the same as the calculation to price military service. The subsidy that is built in to this calculation results in the system receiving generally less than \$.30 for every actual dollar of cost.

A similar provision exists for employees covered by MOSERS. The provision can be found in Section 104.344. This provision also exists for uniformed patrol employees. The cost of purchasing this service is calculated using the base salary and contribution rate in effect on the date the member was first employed.

The interest expense is calculated at the rate of "simple interest" from the date of employment to the date of election to purchase.

HRS anticipates the retirement system would subsidize the purchase cost by approximately \$20,000 for each employee who would take advantage of the purchase.

The retirement system has no way to determine how much service is available for purchase. In addition, even if HRS knew how much service was eligible for purchase, HRS would have no way to determine just how many people would purchase the additional service.

Therefore, at this time, there is no way for HRS to determine what impact passage of this legislation will have on the overall contribution rates. While HRS can say this legislation does absolutely have a cost to the system associated with the purchase of each piece of service, HRS does not have a way to estimate the total cost to the system. The only things that can be determined for certain are:

1. There is a cost to the system for each year of service purchased.
2. The more service people purchase, the higher the cost to the system.
3. Over time, because this purchase increases the amount of the benefits paid, it will eventually increase the unfunded liability of the system.

HRS has asked their actuary to provide any insight and examples he may have regarding purchase of service for other similar retirement systems.

<u>FISCAL IMPACT - State Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
HIGHWAY FUND			
<u>Cost - Increase in Contributions to HRS</u>	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>
ESTIMATED NET EFFECT ON HIGHWAY FUND	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>	<u>(\$0 to Unknown)</u>

*** An actuarial cost statement has not been completed for the Highway Employees' and Patrol Retirement System.**

<u>FISCAL IMPACT - Local Government</u>	FY 2005 (10 Mo.)	FY 2006	FY 2007
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

No direct fiscal impact to small businesses would be expected as a result of this proposal.

DESCRIPTION

This act allows members of the Department of Transportation to purchase up to four years of his or her creditable prior service as a non-federal full-time public employee that is equivalent to service within the Department of Transportation, if they are not receiving and are not eligible to receive credits or benefits from any other public plan for the service to be purchased.


This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

State Highway Employees and Patrol Retirement System
Missouri State Employees Retirement System
Joint Committee on Public Employee Retirement
Missouri Highway Patrol

NOT RESPONDING

Department of Transportation

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 23, 2004